

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 USIE-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01

INRE-00 NSCE-00 SSO-00 ERDE-00 ARAE-00 /090 W

----- 015066

O R 141630Z MAY 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 5128

INFO AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

UNCLAS LIMA 3950

EO 11652: NA

TAGS: BDIS,ENRG,EINV,PFOR, PE

SUBJ: EXPROPRIATION OF GULF OIL OF PERU

REF: LIMA 3930

1. OFFICIAL GAZETTE AND ALL LIMA DAILIES CARRIED HEADLINES ANNOUNCING EXPROPRIATION OF GULF PROPERTIES HERE. GOVERNMENT-OWNED "LA CRONICA" HEADLINED "AN EXEMPLARY SANCTION OF THE PERUVIAN REVOLUTION--GULF IS EXPROPRIATED FOR IM-MORALITY", AND THEN FEATURES A CARTOON WITH PRESIDENT VELASCO CHOPPING OFF THE TENTACLE OF AN EVIL GULF OCTOPUS WHICH HAS ENSNARED A PERUVIAN WHO SHOUTS "BRAVO, CHINO" (PRESIDENT'S NICKNAME).

2. DECREE LAW NO 21144 TEXT FOLLOWS (UNESSENTIAL WORDS OMITTED): A. "CONSIDERING: THAT THE PRESIDENT OF THE MNC GULF OIL CORPORATION HAS ADMITTED BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE OF THE U.S. CONGRESS THAT HIS COMPANY

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PAID, BETWEEN 1966 AND 1970, APPROXIMATELY \$4 MILLION

AS "CONTRIBUTIONS" TO OFFICIALS OF FOREIGN COUNTRIES IN ORDER TO OBTAIN PERMISSION TO CONTINUE ITS OPERATIONS.

B. "THAT THE FORMAL ADMISSIONS BY THIS MNC OF HAVING USED PROCEDURES WHICH AS STATED INVOLVE CRIMINAL PENALTIES AND OFFEND THE PUBLIC ORDER IN AND OF THEMSELVES PRE-CLUDE THE POSSIBILITY THAT SUCH COMPANY SHOULD CONTINUE TO OPERATE WITHIN PERUVIAN TERRITORY, DIRECTLY OR IN-DIRECTLY;

C. "THAT, FURTHER, IN SPITE OF THE DEMANDS OF GOVERN-MENTS OF LATIN AMERICAN COUNTRIES, THIS COMPANY HAS NOT SPECIFIED (INDIVIDUALIZADO) THOSE WHO WERE IMPLICATED, AND FURTHER, EVEN IT IT HAD SO SPECIFIED SUCH INDIVIDUALS, THIS WOULD NOT REDUCE THE IMMORALITY OF THIS ACT NOR REPAIR THE DAMAGE ALREADY DONE TO LATIN AMERICA.

D. "THAT A FUNDAMENTAL RESPONSIBILITY OF THE PERUVIAN REVOLUTION IS TO MAINTAIN PUBLIC MORALITY;

E. "THAT, AS A CONSEQUENCE OF THE FOREGOING, THE OPERA-TIONS OF THE SIAD COMPANY SHOULD CEASE IMMEDIATELY;

F. "WITH VOTE OF COUNCIL OF MINISTERS, (THE PRESIDENT) HEREBY ISSUES FOLLOWING DECREE LAW:

G. "ART. 1 - ALL OPERATIONS OF GULF OIL CORPORATION AND OF GULF DEL PERU, S.A. ARE CANCELLED DEFINITIVELY.

H. "ART. 2 - DECLARES FOR REASONS OF DOMESTIC AND INTERNATIONAL PUBLIC MORALITY, AND FURTHER OF NATIONAL INTEREST AND OF PUBLIC NECESSITY, THE EXPROPRIATION OF ALL THE PROPERTY OF GULF DEL PERU, S.A. PERUVIAN TERRITORY;

I. "ART. 3 - MINISTRY OF ENERGY AND MINES IS CHARGED WITH THE RESPONSIBILITY FOR THE ACTUAL EXPROPRIATION PROCEDURES COVERED BY LAW NO 9125, AS WELL AS MODIFICA-TIONS, EXTENSIONS AND ANNEXES AND THE TAKING OF IMMEDIATE POSSESSION OF THE PROPERTY SUBJECT TO EXPROPRIATION, AND UNCLASSIFIED

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TO PASS THE EXPROPRIATED PROPERTY TO THE HANDS OF PETRO-PERU;

J. "ART 4 - THE MINISTRY OF ECONOMY AND FINANCE WILL PROVIDE NECESSARY FUNDS TO COVER THE COST OF THE EXPRO-PRIATION AND THE COSTS OF THE EXISTING CONTRACTUAL OB-LIGATIONS OF THE GULF OIL CORPORATION. SIGNED, MAY 13, JUAN VELASCO ALVARADO".

3. "EL COMERCIO" CARRIED FRONT-PAGE PICTURE OF JUDGE FORMALLY SIGNING EXPROPRIATION PAPERS AND GIVES DETAILED READING OF ACTUAL SEIZURE OF GULF PROPERTY, WHICH OCCURRED AT APPROXIMATELY 6:20 P.M. IT THEN LISTS GULF ASSETS IN PERU. COMPANY HAS 13 SERVICE STATIONS AND A PETROLEUM STORAGE FACILITY IN CALLAO. GULF HAS LUBRICANT OPERATIONS AND IS BEING REPAYED FOR AN OLD LOAN FOR THE SUPPLY OF CRUDE. TOTAL CAPITAL IS APPROXIMATELY S/.20 MILLION (\$500,000). GULF IS NOT INVOLVED IN PETROLEUM EXPLORATION ACTIVITIES IN PERU.

4. EMBASSY TALKED BRIEFLY LAST NIGHT WITH EDWIN MCCAIN, MANAGER OF GULF DEL PERU. MCCAIN SAID THAT GOP REPRESENTATIVES ARRIVED AT HIS OFFICE AT APPROXIMATELY 6:00 P.M. HE HAD NO ADVANCE WARNING FROM THE GOP, ALTHOUGH ONE AP REPORTER HAD CALLED HIM ABOUT THE EXPROPRIATION A FEW MINUTES BEFORE. MCCAIN EXPRESSED SHIS SURPRISE, AND NOTED THAT GULF RELATIONS WITH GOP HAD ALWAYS BEEN GOOD. IN FACT, GULF HAD ALMOST CONCLUDED A CONTRACT TO SUPPLY PETROPERU WITH \$17 MILLION WORTH OF CRUDE FROM ECUADOR ON 180 DAY PAYMENT TERMS. IN ADDITION, GULF HAD ACCEPTED SEVERAL CHANGES SUGGESTED BY PETROPERU REGARDING PRESENT OPERATIONS WITHOUT RAISING ANY DIFFICULTIES. MCCAIN WAS ATTEMPTING TELEPHONE HIS HEADQUARTERS IN U.S. TO INFORM THEM OF EXPROPRIATION.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, PRESS COMMENTS, TEXT, COMMUNIQUES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA03950
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750169-0576
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750554/aaaabwoh.tel
Line Count: 142
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 LIMA 3930
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2003 by maginmm>; APPROVED <06 FEB 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXPROPRIATION OF GULF OIL OF PERU
TAGS: BDIS, ENRG, EINV, PFOR, PE, GULF OIL COMPANY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006